

## **SECTION C - DESCRIPTION/SPECIFICATIONS/STATEMENT OF WORK**

### **C.1 STATEMENT OF WORK**

#### **PURPOSE**

The purpose of this project is to provide economic rehabilitation and reform for Iraq to stimulate the country's international trade engagement, employment and broad-based prosperity. The tasks performed under this scope will facilitate a rapid and responsible economic integration of Iraq with its regional and international partners in order to create sustainable job generation, adopt international standards of production, harmonize economic policy, reinforce traditional trade linkages and develop new trade partnerships, and will develop and implement a roadmap for managing the economic and technical work to assure the food policy safety net is available for those who may be unable to function on the private market after cessation of the UN food program.

#### **OBJECTIVE**

The objective of this project is to create and develop growing, integrated and sustainable economic activity in Iraq. Assistance provided over 12 months to Iraq will emphasize a broad-based economic growth and economic opportunities. Options are made available for an additional two one year options for continuation of all or part of this work. The contractor is expected to provide two broad levels of intervention:

**Transactional Activities** that create a competitive private sector through a) credit provision, b) development of local, regional and international business networks, c) support for business operations and strategy, d) workforce development and employment generation, e) entrepreneurship training and development, f) mobilization of domestic and foreign investment, and g) privatization of state-owned enterprises, and h) trade capacity development.

**Economic Governance Activities** including support to those public and private institutions that shape and implement economic and financial policy, regulatory, and legal reforms, including the Central Bank and Ministry of Finance.

#### **TITLE**

“Economic Recovery, Reform and Sustained Growth in Iraq”

To emphasize the potential continuity of the various activities to be carried out under the contract, tasks and indicative benchmarks have been provided in the discussions of the activities for years beyond the initial year. Contractor is accountable for achieving tasks and indicative benchmarks set forth in this contract as applicable. All tasks under this contract are to be carried out subject to the supervision, direction, and any necessary redirection of USAID and under the overall policy

direction of the Coalition Provisional Authority (CPA). Contractor is not accountable in the initial year for tasks and benchmarks that are established for the period beyond the end of the first year contract. However, Contractor is expected to plan to initiate actions as appropriate that are required to be initiated during the first year on a timely basis so that the ability of Contractor to carry out tasks and achieve benchmarks in either option year is not foreclosed, should the Contract be extended in accord with one or more of the two options that are provided. Indicative benchmarks and tasks established during the contract for the option years are expected to be renegotiated as appropriate if an option is exercised.

The selection of tasks and indicative benchmarks to be achieved in the first year of the contract is subject to the policy approval process of the US government regarding this activity, a process to be established by USAID to assure that economic governance activities carried out by the Contractor support the policy objectives of the United States government. It is expected that the US government will consult as appropriate with relevant Iraqis in determining the appropriate economic governance activities to be carried out regarding the five main components of the Program.

## **TASK OVERVIEWS**

The five components described below will initiate the Program:

- Economic Governance: Policy, Regulatory and Legal Climate for Growth
- Microeconomic Foundations for Growth: Competitiveness Initiative
- Privatization: Assessment and Support
- Credit Activities: Lending to Micro Enterprises, Small- and Medium Size Businesses
- Food for Oil: Develop and implement a road map to assure an adequate Social Safety Net after phased cessation of the UN Food for Oil program.

(See Annexes A through E in Section J of this contract for more detail on the Statement of Work.)

### **A. Economic Governance: Policy, Regulatory and Legal Climate for Economic Growth**

In preparation for its implementation of an improved policy, regulatory and legal climate for economic growth, and under appropriate US government furnished policy guidance under CTO supervision, the Contractor will make recommendations regarding the policy, regulatory and legal climate of Iraq to plan what is needed to promote rapid, broad-based economic growth. Contractor will request such guidance and available assessments from CTO, and will operate subject to CTO guidance, as provided. Contractor shall recommend the best available options for proceeding to implement an improved policy, regulatory, and legal climate for economic growth in Iraq. Contractor will examine government policies, laws, regulation, and government institutions that regulate or affect trade, commerce and investment. The government institutions will include, but are not limited to, Ministries of Economy, Trade, Finance, Investment, Export or their equivalent, the Central Bank and the banking system. All Contractor recommendations will take into account the policy framework and previous assessments to the extent such assessments are available. Based on the results of the Contractor's recommendations, the Contractor (with USAID approval) will begin to reform, revise, extract or otherwise advise on

changes to the policies, laws and regulations that impact the economy. Working closely with the Governing Council of Iraq and in coordination with the CPA and other US government agencies, donors and multilaterals, the Contractor will provide (under CTO guidance) macroeconomic reform advice, with a focus on tax, fiscal, exchange rate, monetary policy, and banking reform. Contractor will recommend changes to policies, laws and regulations that impede private sector development, trade and investment. Contractor will provide the judiciary with the tools required to enforce commercial contracts, and will redress issues of state-capture and administrative corruption.

A fuller description of one version of this SOW is provided in Annex A. The tasks in component A are considered to be especially subject to the overall policy guidance of the US Government.

## **B. Microeconomic Foundations for Growth: Competitiveness Initiative and Public Utilities Reform**

The Contractor will identify the nature, breadth and scope of the private sector in Iraq. It will assess the private sector's size and capacity, identify business owners and private sector leaders, examine the overall environment for private sector growth, and identify the relationships between and among industries and government. It will assess the strengths, weaknesses, opportunities, and threats to the countries' industries, examine current exports and the potential for exports and will look at the constraints to export sector growth.

Based on the evaluation, the Contractor will implement a Competitiveness Initiative (CI) to strengthen small and medium-sized firms, develop exports, generate employment and create regional and international networks of buyer/supplier chains. The mix of activities to be carried out to select and weight activities among these goals is to be judged based on the evaluation.. Workforce development will orient public sector training and education institutions toward the needs of an emerging and competitive private sector. A Competitiveness Council of private sector leaders may be a key activity to help support the process by serving as a steering committee to prioritize and guide specific competitiveness initiatives. A key activity is also support for the design and effective operation of public utilities law, regulations, and regulatory bodies, including independent regulatory bodies, in an appropriate law and regulatory environment, and in connection with broader macroeconomic and banking activities. A fuller description of a version of this SOW, with a special focus on the potential for cluster development activities that may be carried out, is provided in Annex B.

## **C. Privatization: Assessment and Support**

In close collaboration (under CTO supervision) with the CPA, Iraqi Governing Council and concerned US agencies, the Contractor will assess state-owned enterprises (SOEs) in Iraq in terms of their potential market value for sale as on-going concerns. Subject to appropriate guidance, Contractor will categorize the SOEs from largest to smallest in terms of economic impact. Subject to appropriate guidance, Contractor will also evaluate and recommend the potential for liquidation or dissolution of specific firms or industries, as necessary. Contractor recommendations will elaborate on the potential of specific firms or industries for sale to

strategic investors and identify the range of potential strategic investors. For specific SOEs or industries where strategic investment is unlikely, then the Contractor will discuss the feasibility for undertaking a “mass privatization” and discuss various options for its implementation possibilities, such as vouchering.

Based on Contractor recommendations (as approved by USAID), the Contractor will implement a privatization plan, focusing first if approved on strategic investors and on creating and supporting an institution responsible for undertaking privatization. Contractor should be aware that USAID expects to consult widely with relevant US government officials and within Iraq regarding Contractor plan. Contractor therefore needs to reflect the range of views available regarding these potentially controversial matters adequately in its initial recommendations and be prepared for policy direction to achieve differing goals. If changes to legislation are required, contractor will assist legislative reform specifically to allow for the privatization of State-owned industries and firms and/or establishing a privatization entity. The Contractor will implement USAID-approved recommendations to begin supporting the privatization of strategic industries and appropriate privatization of public utilities, including potentially food distribution and agro-processing industries. A fuller description of one version of this SOW is provided in Annex D.

#### **D. Credit Activities: Lending to Micro Enterprises, Small- and Medium Size Businesses**

The Contractor will undertake two credit activities for small and micro businesses. In the first, the Contractor will identify capable local lending institutions and develop with them a small business loan activity. If local institutions are not prepared to undertake small business loans programs, with the agreement of USAID, the Contractor will establish and manage the process of extending credit to small and medium-sized enterprises in targeted areas of Iraq. In the second activity, the Contractor will identify or establish an appropriate -credit lending facility, principally focused on micro-credit. The facility will extend loans to relevant entrepreneurs (\$100-\$10,000) based on best-practice lending experiences (e.g., group lending). A fuller description of one version of the activities to be carried out under this SOW is found in Annex D.

The plans for this activity are designed by USAID to include an unspecified amount of US government financial support for a broad range of lending programs that may be carried out under or in association with this activity. The amount to be made available directly through this activity, if any, will be specified in the budget eventually provided for this activity. However, such funds may also be provided directly by the USAID mission to institutions that will be carrying out relevant lending activities. In this circumstance, Contractor will prepare to help the US government utilize, manage, and account for these funds as they are agreed to be utilized in the form of direct loans, loan guarantees, or mixed partnerships of loans and loan guarantees in collaboration with other donors and the private sector, as appropriate and as USAID may direct. Contractor should prepare to make an early report and recommendations that will help USAID make its determinations and implement how USAID will make available these funds to Iraqi businesses and other recipients efficiently and in accord with high and appropriate standards of accountability, security, and safety through relevant lending activities.

#### **E. After Food for Oil: Making a social safety net work.**

The impact of the dependency culture created by the UN Food for Oil program, coupled with massive distortions in the market prices of agricultural inputs and outputs, will greatly hinder the formation of a viable agricultural production sector. USAID support for restarting and strengthening the agriculture sector is to be provided separately. The UN food program currently provides an extremely important source of support to the vast bulk of the population. In the short term, the Food for Oil program can be adjusted so that it supports the introduction of market based prices for agricultural commodities and production inputs. Careful management of humanitarian assistance programs, coordinated with macro economic policies, will be required to enable the private sector to begin operating in a market driven economy.

The Contractor will coordinate with the humanitarian assistance providers and parallel efforts to restart the agricultural sector to provide support for improved targeting of humanitarian assistance to the most needy. The Contractor will also recommend and implement after approval from USAID policies to provide a food safety net for the most needy poor.

#### **F. IT Systems: Cross-cutting issue affecting all tasks**

##### **Project Management**

To support effective project management, and to facilitate sharing of information with USAID and with other project participants, the Contractor will within the first month of the project implement a web-based project management system and maintain the web-based project management system as required during the period of performance. This system will be designed so that it can be retained by USAID for use by other contractors involved in the Iraq reconstruction program.

##### **IT Assessment Overview**

To provide a foundation for development of future IT systems, the contractor will review the overall ICT architecture of government systems in the Fiscal Sector, Financial Sector, Trade Sector, and Privatization. This review will take into account previous assessments and reviews if any that are available and appropriately targeted.

##### **Information Technology for Fiscal Sector**

Taking into account any available assessments, Contractor will carry out an analysis and prepare a plan to restart and upgrade as appropriate existing systems in all major areas of fiscal management, including the following:

- Financial Management Information System (this will be the first phase of implementation of a new system, as outlined elsewhere in this SOW)
- Budget Formulation and Execution (Financial Management Information System)
- Taxpayer Master File

- Tax Administration and Tax Revenue Systems
- Customs Administration Systems (in coordination with fiscal and trade teams)
- Property and VAT Tax Systems
- Audit Selection System

### Information Technology for Financial Sector

Taking into account any available evaluations and assessments, the Contractor will carry out an analysis and prepare a plan to restart and upgrade as appropriate existing systems in all major areas of the financial sector, including the following:

- Central Bank Payment and Settlement Systems
- Central Bank Accounting System
- Commercial Bank Accounting Systems
- Off-Site Financial Analysis System
- Registrar/Depository Systems
- Clearing/Settlement Systems
- Trading System

### Information Technology for Privatization

The Contractor will assess existing systems for capturing data for all State-Owned Enterprises with an eye to developing a Comprehensive Privatization Database.

### Information Technology Implementation

The Contractor will implement a financial management information system as described more fully in Annex A. In addition, after the reviews and evaluations are completed the Contractor will propose to USAID implementation plans for the priority IT systems. With approval of USAID, the Contractor will conduct implementation of select priority systems.

### Special Instructions

1. The advisors working on site under this project shall report on a daily basis to the counterpart specified by USAID and to the USAID CTO and one other person to be designated by the CTO on an ongoing basis.
2. Expatriate advisors will be authorized up to sixty (60) days in-country at full per diem, and subsequent days in-country at 50% of the daily per diem.
3. Expatriate advisors are authorized to work up to six days per week without premium pay.
4. The Contractor must obtain CTO or designee approval before making any changes in the key personnel stated in the contract. Additionally, the contractor must obtain the written approval of the CTO or designee if any key person under this contract will be out of Iraq or

working on other projects at any time during the project being implemented during this contract.

5. For the duration of the contract, the Contractor shall provide the personnel to work on-site. Travel off-site must be limited to essential trips related to the contract, and must be approved in advance, in writing, by the CTO.
6. The Contractor must establish adequate administrative controls for local national employee and expatriate time charges by maintaining time and attendance records. The Contractor shall establish records, premises and facilities for any commercial activity (non-USAID related) separate from activity conducted under the USAID contract. To avoid any appearance of impropriety involving USAID (or U.S. Government) funded activities, a clear distinction between office activities relating to commercial work and USAID activities must be maintained.
7. The contractor shall have adequate administrative systems (i.e., maintaining appropriate telephone logs) to segregate personal and commercial telephone calls from USAID project telephone calls in its billings to USAID. Absence of a system to properly identify project, personal and commercial telephone calls could result in total telephone charges being disallowed.
8. Before having interviews with the media, issuing press releases, holding news conferences, or otherwise communicating with the media regarding activities under this contract, the Contractor will consult with the CTO and USAID's Office of Legislative and Public Affairs. This requirement does not apply to media releases that are a necessary part of the public education component of the SOW.
9. Given the fluid setting and basic institutional setting, the specific tasks and benchmarks may change as the new government develops its priorities. Any changes in the *work plan* must be approved by the CTO and substantial changes in the scope of work approved by the CTO and contracting officer.

#### 10. Program Coordination

The Contract's design and implementation requires cross-sector interaction. The USAID CTO and management team will coordinate with agriculture, environment and economic growth teams, in EGAT and in USAID Regional Bureaus, and others as needed to enhance program impact and synergies. A Contract support group may be established, consisting of representatives of key teams and bureaus, which would meet periodically to review crosscutting themes and provide input on activities implemented with core funds.

11. Donor Coordination - Other donors and international financial institutions (e.g., The World Bank) are likely to initiate separate support programs. These donors may be somewhat constrained from making the maximum contributions due to their limited access to grant-funded technical assistance, shrinking staff levels, and limited institutional access to the private sector and product market services. Under this USAID initiative, special attention is given to country-level sector strategic coordination such that the most cost effective and relevant national-level

programs are promoted across the major external supporters. From this mutually enforced effort, broader national commitments can be established such that producer and investor confidences are strengthened. However, it is equally important that USAID's development programs maintain momentum and lead the way as necessary and appropriate in Iraq.

12. Mission-Level Coordination Activities - USAID recognizes that the establishment of a USAID Mission in the Near East Region is problematical at this point. When a Mission is established, staffing and experience may not be initially commensurate with the challenges of this comprehensive and complex contact. This contract therefore places special coordination requirements on Contractor's "home office" management by USAID's CTO. The CTO, if not located in Iraq, will closely interact with the Mission-level technical officer for specific task orders where in some cases attention may have to be directed to explain aspects and strategies associated with the Contractor's activities.

13. Country-Level Engagement and Instilling Ownership - A highly interactive and participatory work style with national institutions will be required throughout the operation for sharing and educating. This is an important requirement given the primordial objective for generating local interest, commitment, and ownership. The contractor will be expected to partner with respected local institutions (e.g., developing country local, national, or regional institutions). Under USAID guidance, the Contractor will employ extensive efforts to interact with government officials and leading authorities. Where significant lack of appreciation or understanding regarding the nature and scope of the work, the Contractor will exert patience, experience, and diplomacy to educate accordingly.

14. New Knowledge and Technical Information Share - There is a major knowledge void regarding economic governance development in pre- and post-conflict situations. In the spirit of the principal purpose and sub-purpose, knowledge generation becomes an extremely important service. Therefore, related lessons learned and knowledge generation activities are to be undertaken, to include a user-friendly Web site. This will provide broad service for all stakeholders to include help to USAID and others to learn from the Contract's activities. The CTO will ensure that the Contractor develops procedures such that lessons learned are systematically processed for the appropriate target group and "best practices" for the broader development professional community are provided.